

# S03.04-IS-01-R480

## I - Other non-recurring items (R480)

### Foreword

For each operation, GAR must first approve whether it is eligible for non-recurring.

Each operation, eligible for non-recurring, must have been identified during the budget or the quarterly BFR.

**A minimum threshold per operation of 200 kEUR applies.**

### Content

- R48700 + R48600 - Gain (R48700) and Loss (R48600) due to deconsolidation
- R48760 + R48660 - Gain (R48760) and Loss (R48660) on investments disposals and partial disposals
- R48711 + R48611 - Gain (R48711) and Loss (R48611) on intangible and tangible assets disposals non-recurring
- R48650 - Environmental expenses and income
- R48790 + R48690 - Other non-recurring income (R48790) and expenses (R48690)
- R48620 - Other non-recurring impairment losses

### **Gain (R48700) and Loss (R48600) due to deconsolidation**

This heading is used for consolidation purposes only where there has been a change in the consolidation perimeter/method. **It should never be used by the subsidiaries/investees, except in case of explicit request from the Consolidation Department.**

### **Gain (R48760) and Loss (R48660) on investments disposals and partial disposals**

Gains from the disposal of items recorded as subsidiaries securities, other securities or investments in affiliates. It includes all capital gains and losses from disposals or partials disposals of investees, for both share or asset deals, and all post-closing adjustments:

- Gains and losses on the disposal ★ of subsidiaries, joint operations, affiliates accounted for under the equity method that do not qualify as discontinued operations or available-for-sale investments.
- Gains and losses on the sale of real estate not directly linked to an operating activity
- Results recorded by the entity on the sale of its investments.
- Provision for a guarantee of liabilities recognized in connection with the disposal.  
Be aware that the reversal of a provision for the depreciation of long-term investments is accounted for as a provision for securities or provision for charge in affiliates.

★ The term "*disposal*" implies that the asset generating the gain or loss has ceased to be the property of the enterprise, as a result of sale, contribution, expropriation, compensation further to a claim, demolition, etc

A *disposal* is:

- Loss of control over a subsidiary,
- Loss of joint control over a joint operation,
- Loss of joint control over a joint venture that does not become an associate, and
- Loss of significant influence over an associate that does not become a joint venture.

A *partial disposal* is disposal of a portion of an equity ownership interest in:

- a joint operation that remains a joint operation,
- a joint venture, that remains a joint venture or that becomes an associate, and
- an associate that remains an associate or that becomes a joint venture.

Note that no gain or loss is recognized when disposing of a portion of an equity ownership interest in a subsidiary without loss of control. Rather, in this case, any impacts are recognized within equity.

### **Gain (R48711) and Loss (R48611) on intangible and tangible assets disposals non-recurring**

Gains and losses recorded by the entity on its non-recurring disposal of intangible and tangible assets. It includes all capital gains and losses on asset deals:

- Only the results on the disposal of assets approved by the COMEX (e.g. real estate transactions outside of the security perimeter of the plants). All other results are recorded under "R382 - +/- value of disposals of intangible and tangible assets" within the "Other operating gains and losses" above Underlying EBIT.
- Elimination of profits in fixed assets (at Group level)

**General remarks related to the headings above (R48700/R48600, R48760/R48660, R48711/R48611, R48790/R48690) and more specifically to the criteria to be met for expenses and revenues attributable to an M&A deal and that are therefore eligible for presentation in non-recurring (Discop – "Discontinued Operations")**

Only the following costs are eligible for presentation in non-recurring (or Discop):

1. Only **M&A external expenses** are eligible for non-recurring (or for Discop after the CGU to be sold has been reclassified to Discop).  
As a consequence:
  - no internal expenses are eligible for non-recurring,

- no internal expenses outside the perimeter of the CGU to be sold are eligible for presentation as Discop.
1. Only external expenses **directly attributable to the M&A deal** are eligible for non-recurring (or Discop):  
Technical, legal, accounting due diligences, carve-out expenses.  
Expenses related to the internal funding are not directly attributable and consequently are not eligible.  
Costs related to the external funding for an acquisition are amortized over the expected term of the debt.
  2. Directly attributable expenses are eligible for non-recurring (or Discop) only **after a formal decision by the Board or COMEX** to sell or acquire or to give such a mandate.  
They will not be reclassified to Underlying EBITDA if the deal subsequently fails. Equally, expenses posted to Underlying EBITDA in a previous quarter cannot subsequently be reclassified to non-recurring.

As a general rule, IT costs cannot be considered as "non-recurring" expenses. It is recommended to assess to what extent they should be capitalized.

### **Environmental expenses and income (R48650)**

Environmental costs for shutdown activity or process (costs related to "non-ongoing" activities) are eligible for recognition in non-recurring.

It includes rehabilitation costs. For such costs, an assessment must be conducted and a rehabilitation plan drawn up for known, identified problems. Hidden problems are charged to the company as a whole.

Remark: If a contamination is linked to a component used by an ongoing activity on the contaminated site, the provision must be recognized within Underlying EBITDA even if there is a doubt regarding the contamination due to past activities which used the same component.

### **Other non-recurring income (R48790) and expenses (R48690)**

#### **Definition**

Other operating income and expense include a **small number of unusual, abnormal or infrequent** revenue and expense items of particularly **significant** amounts. The entity would present these items separately in its income statement to facilitate understanding of current operating performance and provide information to the user of the financial statements that is useful for a forecast-earnings approach.

**Content:** All expenses not related to usual business operations and in particular:

- Provisions for guarantees of liabilities resulting from disposal of investees or groups of assets (i.e. through share and asset deals) in prior years (M&A post-closing adjustments)
- External costs directly related to the disposal of investees or groups of assets (i.e. through share and asset deals) classified as held-for-sale (IFRS 5), at any time of the disposal (such as external legal costs, external consultants):
  - when the disposal is under way,
  - once the disposal has just been achieved or is over, or
  - once the disposal project has been abandoned.
  - Gains and losses on the sale of real estate not linked to an ongoing activity
  - Gains and losses on the sale of real estate following significant environmental or restructuring costs
  - Expenses incurred as a result of a **definitive shutdown** (the definitive shutdowns include final shutdown of the plant's production, cessation of a commercial or research activity or a service provider) are charged to the BU, posted on the cost center "shutdown costs", and allocated in here.  
Read global note on shutdowns in [here](#).
  - Future downsizing costs linked to **restructuring or sale of the activity** as they are incurred as long as it deals with the **costs of downsizing forecast**.
  - Future demolition costs linked to **restructuring or sale of an activity** as they are incurred, without time limit, as long as they are **demolitions that were foreseen**.
  - External costs for the acquisition of a subsidiary or a joint operation (cf. M&A costs)
  - Major litigations.  
Two kinds of litigations are eligible for non-recurring:
    - Litigation triggered by M&A deal
    - Other litigations if they meet the following two conditions:
      - external and directly attributable expenses **exceeding 5 MEUR**
      - specific litigations

Lawyers expenses are not to be provided for. Rather, those are recognized as expenses in the period in which the related legal services have been rendered.

- Administrative costs related to closed post-employment benefit plans (costs related to "non-ongoing" activities that are eligible for non-recurring)

### **Other non-recurring impairment losses (R48620)**

It includes:

- Impairment losses resulting from:
  - impairment tests on a (group of) **Cash-Generating Unit(s)**.  
*A CGU includes property, plant and equipment, intangible assets and allocated goodwill if any, that are measured at the lower of their carrying amount and their recoverable amount. The recoverable amount is the highest of the value in use and the fair value less costs to sell.*
  - Impairment tests following classification within IFRS 5 ("Assets held for Sale"). Goodwill, property, plant and equipment, intangible assets, and equity method investees, within the scope of IFRS 5 are measured at the lower of their carrying amount and the fair value less costs to sell.
  - Reversal of an impairment loss previously recognized.

#### **Comments:**

- **All other impairments are presented as recurring expenses.**

- The increased carrying amount of an asset **other than goodwill** attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation), had no impairment loss been recognized for the asset in prior years.
- If, at the time an individual asset is sold, the carrying amount exceeds the recoverable amount, no write-down (write-off) is recorded through depreciation and/or amortization to align carrying amount with recoverable amount. Instead a loss on the sale is recorded under "R382 - +/- value of disposals of intangible and tangible assets" within the "Other operating gains and losses" above Underlying EBIT ("R48711/R48611: Gain and Loss on intangible and tangible assets disposals non-recurring", in the case of a shutdown of activity or plant).